

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

EXPEDITED PROPERTY TAX CREDIT – ELDERLY INDIVIDUALS AND BILL 9-22: RETIRED MILITARY SERVICES MEMBERS – AMENDMENTS

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Expedited Bill 9-22 will have a negative impact on racial equity and social justice (RESJ) in the County as the benefits of the Bill will mainly accrue to White homeowners. OLO anticipates a moderate, negative RESJ impact of the Bill, as it could re-allocate \$12 million over six years in local funding for programs benefitting all residents to a subset of residents that are disproportionately White and higher income. OLO offers several recommended amendments for Council consideration aimed at improving the RESJ impact of this bill.

PURPOSE OF RESJ IMPACT STATEMENT

The purpose of racial equity and social justice (RESJ) impact statements is to evaluate the anticipated impact of legislation on racial equity and social justice in the County. Racial equity and social justice refer to a **process** that focuses on centering the needs, leadership, and power of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.¹ Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social harms that have caused racial and social inequities.²

PURPOSE OF EXPEDITED BILL 9-22

The purpose of Expedited Bill 9-22 is to extend the duration of the existing property tax credit for older adults and retired military services members from 5 years to 7 years, effective July 1, 2022. The Bill was introduced after the Maryland General Assembly passed a bill during the 2022 session repealing a provision that established the maximum amount of property tax credit and the time period for which an individual is eligible to receive the credit (previously capped at 5 years).³ Expedited Bill 9-22 was introduced on June 14, 2022.

Currently, an individual is eligible to receive the property tax credit for older adults and retired military services members if they meet the following criteria:⁴

- The individual is at least 65 years old; the individual has lived in the same dwelling for at least the preceding 40 years; and the dwelling for which a property tax credit is sought has a maximum assessed value of \$650,000 at the time the individual first applied for the credit;
- The individual is at least 65 years old; the individual is a retired member of the uniformed services of the United States as defined in 10 U.S.C. §101, the military reserves, or the national guard; and the dwelling for which a property tax credit is sought has a maximum assessed value of \$500,000 at the time the individual first applied for the credit; or
- The individual is a surviving spouse of a retired member of the uniformed services of the United States as defined in 10 U.S.C. §101, the military reserves, or the national guard; the surviving spouse is at least 65 years old; and the surviving spouse has not remarried.

RESJ Impact Statement

Expedited Bill 9-22

HOMEOWNERSHIP, SENIOR AND VETERAN RESIDENTS, AND RACIAL EQUITY

A property tax credit reduces a property owner's tax obligation; if the credit is refundable, a property owner can receive the difference between the credit and what they owe as a refund.⁵ Property tax credits benefit eligible homeowners and can be used by policymakers to encourage beneficial behaviors. Property tax credits also reduce tax revenue available to support other competing public goods.

Since Bill 9-22 serves to extend a financial benefit to senior and veteran homeowners in the County, this section examines disparities by race and ethnicity on homeownership, as well as among senior and veteran residents to help consider the potential impact of this Bill on racial equity and social justice.

Inequities in Homeownership. As discussed in the RESJ Impact Statement for Bill 39-21, Taxation – Public Safety Officers – Public Safety Emergency Communications Specialists – Property Tax Credit, the possibility of homeownership has been placed out of reach for many families of color due to inequitable housing policies and practices of the past.⁶ Slavery, sharecropping, Jim Crow laws, and the Homestead Act were government policies designed to build wealth among White residents by extracting resources from Black, Indigenous, and Other People of Color (BIPOC). Government policies reinforcing housing segregation continued with the New Deal as the Federal Housing Administration provided government-subsidized financing to White residents and developers to purchase or build homes in White-only enclaves.⁷ While the Fair Housing Act of 1968 eliminated racially explicit segregation in housing, the policies that built the segregated housing market “have never been remedied and their effects endure.”⁸

As a result of inequitable government policies and practices, access to wealth (which individuals often rely on to make a down payment for their home) varies significantly by race and ethnicity.⁹ The racial wealth gap in the Metropolitan Washington Region is sizable: White households had more than 80 times the wealth of Black households and 21 times the wealth of Latinx households in 2014.¹⁰ Residents of color still experience discrimination in the housing market due to predatory lending practices and bias in the real estate market.¹¹ As such, disparities in homeownership by race and ethnicity persist in Montgomery County where:

- 75 percent of White and 73 percent Asian households reside in owner-occupied units, compared to 50 percent of Latinx households and 41 percent of Black households.¹²
- 31 percent of Black and 33 percent of Latinx homeowners were cost-burdened, spending more than 30 percent of their income on housing, compared to 18 percent of White and 26 percent of Asian homeowners.¹³
- The average value of home mortgages carried by White households was \$410,000, compared to \$391,000 for Asian households, \$328,000 for Black households, and \$308,000 for Latinx households.¹⁴

Since White households tend to own more valuable properties, they incur the burden of higher property taxes.¹⁵ In turn, policies that provide property tax credits can disproportionately reduce the taxes paid by White households.¹⁶

Senior Residents. Data in Table 1 demonstrates County residents 65 years and over are disproportionately White. Whereas 51.2 percent of all residents are White, 61.2 percent of residents 65 years and over are White. Black and Latinx residents are underrepresented among older residents 65 years, while Asian residents are proportionately represented.

RESJ Impact Statement

Expedited Bill 9-22

Table 1: Percent of All Residents and Residents 65 and Over by Race and Ethnicity, Montgomery County, Maryland

Race/Ethnicity	Percent of County Residents	Percent of County Residents 65 and Over
White alone	51.2	61.2
Black or African American alone	18.5	13.1
Asian alone	15.0	15.0
Hispanic or Latino (of any race)	19.5	8.7

Source: American Community Survey 2020 (Table S0103), Census Bureau.

The same forces that drive disparities in wealth and homeownership also affect the economic security of BIPOC seniors. Black and Latinx seniors are more likely to be in poverty than White seniors.¹⁷ Further, a 2011 study found that 90 percent of Latinx and 83 percent of Black senior households had insufficient retirement assets to last throughout their expected life spans.¹⁸ The study found that much of the economic insecurity among BIPOC seniors was driven by housing, where nearly two-thirds of Black and Latinx seniors spent 30 percent or more of their incomes on housing expenses.¹⁹ Because of disparities in homeownership, Black and Latinx seniors are also less likely to have home equity as a resource for economic security.²⁰

Veteran Residents. As discussed in the RESJ Impact Statement for Expedited Bill 7-22, Fire and Rescue Services – Credit Service for Group G Members, inequitable policies and practices that disproportionately harm service members of color have also contributed to the over-representation of White people in military service. BIPOC have served in the military since the colonial period, playing a significant role in every major American conflict.²¹ Despite their contributions, service members of color have faced racism and discrimination throughout the history of the armed forces.²² Today, 74 years after the official desegregation of the military, deep-rooted racism persists, with service members of color experiencing harassment, lack of advancement into leadership positions, and unequal discipline, among other forms of racial discrimination.^{23, 24}

Data in Table 2 demonstrates the over-representation of White people among military veterans in the County. Whereas White residents account for 53.2 percent of County residents 18 years and over, they account for 69.0 percent of veterans in the County. Conversely, Asian and Latinx residents are under-represented as veterans, respectively accounting for 15.8 and 17.7 percent of residents 18 years and over, compared to 5.5 and 7.7 percent of veterans.

Table 2: Percent of Residents 18 and Over and of Veterans by Race and Ethnicity, Montgomery County, Maryland

Race/Ethnicity	Percent of County Residents 18 and Over	Percent of County Veterans
White alone	53.2	69.0
Black or African American alone	18.1	18.3
Asian alone	15.8	5.5
Hispanic or Latino (of any race)	17.7	7.7

Source: American Community Survey 2020 (Table S2101), Census Bureau.

RESJ Impact Statement

Expedited Bill 9-22

ANTICIPATED RESJ IMPACTS

The Montgomery County Office of Management and Budget (OMB) estimates that extending the term of the property tax credit for older adults and retired military services members will decrease County revenues by \$12.2 million over six years.²⁵ Among several assumptions, OMB assumed that an additional 200 older adults and 20 veterans would sign up for the program each year.

Data demonstrates that homeowners in the County are more likely to be White or Asian. Additionally, senior and veteran residents in the County are disproportionately White. Thus, OLO anticipates that Bill 9-22 will have a negative impact on RESJ in the County, as it will primarily benefit White homeowners. OLO anticipates the negative RESJ impact of the Bill will be moderate, as it could re-allocate \$12 million over six years in local funding for programs benefitting all residents to a subset of residents that are disproportionately White and higher income.

RECOMMENDED AMENDMENTS

The Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.²⁶

OLO finds that Expedited Bill 9-22 could widen racial and ethnic inequities because its benefits are most likely to accrue to White homeowners. Should the Council seek to improve the RESJ impact of this Bill through incorporating recommended amendments or introducing companion legislation, the following policy solutions directed towards renters can be considered. Offering benefits to renters could enhance racial equity, as Black and Latinx residents are more likely to rent their homes:²⁷

- **Create a renters' tax credit for senior and veteran residents.**²⁸ If Black and Latinx seniors are more likely to rent their homes, then adding a renters' tax credit provision could help ensure that all senior and veteran residents proportionately benefit from this bill, regardless of whether they rent or own their homes.
- **Increase funding and expand eligibility for County Rental Assistance Program.** Localities often rely on the federal Housing Choice Voucher (HCV) program – the nation's largest rental assistance program – to provide long-term rental assistance to low-income residents. The HCV program has been proven to help low-income residents sustain housing and reduce financial hardship.²⁹ Current funding for the HCV program falls short of demand, causing long waitlists. In Maryland, applicants to the HCV program wait an average of 43 months, or 3.5 years, to receive a housing voucher.³⁰

Addressing gaps in the HCV program, localities have developed local rental assistance programs to meet the needs of low-income residents. One such program in the County is the Rental Assistance Program (RAP), where low-income residents who are currently experiencing or at risk of homelessness can receive \$100 to \$400 per month for up to 12 months.³¹ RAP recipients are able to reapply to the program after 12 months to determine continued eligibility. For fiscal year 2023, the RAP was recommended an allocation of \$4.55 million, an increase from the actual allocation of \$1.58 million in fiscal year 2022 and \$570,000 in fiscal year 2021.³²

RESJ Impact Statement

Expedited Bill 9-22

To enhance RESJ among seniors, the Council could consider increasing funding to the RAP and expanding eligibility to include low-income residents over 65 who are not experiencing or at risk of homelessness. For instance, Arlington County's Housing Grant program covers a portion of monthly rent for low-income residents, including residents who are 65 years and older.³³ While the program prioritizes residents experiencing homelessness, low-income residents not experiencing homelessness are able to qualify depending on funding availability.³⁴ Residents can re-certify for the program annually as long as they continue to meet eligibility requirements. Arlington County allocated \$14 million to the Housing Grant program in the current and upcoming fiscal year.^{35,36}

- **Increase affordable housing units for seniors.** To advance RESJ among seniors, the Council could consider increasing investments in developments that preserve or produce affordable rental housing for seniors, especially for those with extremely low incomes. An estimated 11,000 County residents 65 years and over are living below the poverty level.³⁷ Residents living below the poverty level would likely be considered extremely low income by HUD definitions – or having an income at or below 30 percent of the Area Median Income (AMI).^{38,39} Between Housing Opportunity Commission (HOC) units and subsidized units in private properties, the County currently has 1,092 units that are affordable for seniors at 30 percent of the AMI.^{40,41} Of note, the majority of affordable housing units for seniors in the County are affordable between 40 percent and 80 percent of the AMI (2,211 units).

CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging, analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

CONTRIBUTIONS

OLO staffer Janmarie Peña, Performance Management and Data Analyst drafted this RESJ impact statement with assistance from Elaine Bonner-Tompkins, OLO Senior Legislative Analyst.

¹ Definition of racial equity and social justice adopted from “Applying a Racial Equity Lens into Federal Nutrition Programs” by Marlysa Gamblin, et.al. Bread for the World, and from Racial Equity Tools. <https://www.racialequitytools.org/glossary>

² Ibid

³ Expedited Bill 9-22, Property Tax Credit – Elderly Individuals and Retired Military Services Members – Amendments, Montgomery County, Maryland, Introduced June 14, 2022.

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⁴ Montgomery County Code Section 52-110, Property Tax Credit – Elderly Individuals and Retired Military Service Members, Montgomery County, Maryland, Accessed June 13, 2022.

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⁵ “Policy Basics: Tax Exemptions, Deductions, and Credits,” Center on Budget and Policy Priorities, November 2020.

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⁶ Misha Hill, et al, “Taxes and Racial Equity: An Overview of State and Local Policy Impacts,” Institute on Taxation and Economic Policy, March 2021. https://itep.sfo2.digitaloceanspaces.com/ITEP_Taxes-and-Racial-Equity-State-and-Local-Policy-Impacts-2.pdf

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⁸ Richard Rothstein, *The Color of Law: A Forgotten History of How Government Segregated America*, 2017

⁹ Hill, et al, “Taxes and Racial Equity: An Overview of State and Local Policy Impacts”

RESJ Impact Statement

Expedited Bill 9-22

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¹⁵ Ibid

¹⁶ Ibid

¹⁷ Zhe Li and Joseph Dalaker, “Poverty Among Americans Aged 65 and Older,” Congressional Research Service, July 1, 2019.

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¹⁸ Tatjana Meschede, et al, “The Crisis of Economic Insecurity for African-American and Latino Seniors,” Demos and Institute on Assets & Social Policy, September 2011.

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¹⁹ Ibid

²⁰ Ibid

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²² Ibid

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RESJ Impact Statement

Expedited Bill 9-22

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